

**MINUTES OF MEETING #401**  
**BOARD OF TRUSTEES**  
**KENTUCKY RETIREMENT SYSTEMS**  
**QUARTERLY MEETING DECEMBER 3, 2015 AT 9:00A.M.**  
**1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the Quarterly Meeting of the Board of Trustees held on December 3, 2015, the following members were present: Thomas Elliott (Chair), Daniel Bauer, Sec. Dinah Bevington, Ed Davis, Joseph Hardesty, Vince Lang, Keith Peercy, Mary Helen Peter, David Rich, Randy Stevens, William Summer. Staff members present were William Thielen, Karen Roggenkamp, Rebecca Stephens, David Peden, Brian Thomas, Todd Coleman, Connie Davis, Connie Pettyjohn, Marlane Robinson, Shawn Sparks, Erica Bradley, Scarlett Consalvi, Ann Case, Shaun Case, Samantha Payne, and Leigh Taylor. Also present were Larry Totten, Jim Carroll, Eva Smith Carroll, Marie Bunce, Rebecca Heckler, Damian Stanton, Jim Statler, Jana Smith, Joseph Overhults, Doug Price, Steve Starkweather, Joe Lancaster, Brad Gross, Jean Roderer, Fan Flaherty, Bo Cracraft, Sam Scher, Janice Leroy, Maribeth Schmitt, Daryl Martin, Carrie Lovell, Kate Shanks, Jacqueline Pitts, Karen Harbun, David Young, Brian Roy, Mike Wynn, Rose Nett, Frank Nett, Kevin Wheatley, and Tracey Garrison, Karrie Lovell and Carla Whaley of Humana, Joseph Overhultz of Dean Dorton, and Alisa Bennett and Todd Green of Cavanaugh Macdonald.

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Mr. Elliott introduced the agenda item *Approval of Minutes*. Mr. Summers moved and was seconded by Ms. Peter to approve the minutes of the September 10, 2015 and October 22-23, 2015 meetings. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Affirmative Action Plan Report*. Ms. Robinson reviewed the quarterly report for the Trustees. This report was provided for informational purposes only. *Sec. Bevington entered the meeting during the above report.*

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Mr. Elliott introduced the agenda item *Public Comment* and outlined the Public Comment Policy. Mr. Jim Carroll, Kentucky Government Retirees gave the following statement:

I want to thank the Board for adopting a public comment policy. As KRS stakeholders, we are deeply concerned about the cash crisis in the KERS and State

Police funds. We learned last summer that there is a 5 to 8 percent chance of insolvency in the KERS non-hazardous fund. We also learned that there is at least a 56 percent chance of pay-as-you-go, in which all investments would be turned to cash to pay current benefits. Under that scenario, the fund would inevitably run out of money.

Kentucky Government Retirees is working hard to secure a funding solution for KERS. We will be seeking ARC+ in the next budget, the full employer contribution plus an additional amount to stabilize the fund. We have developed and are implementing an ambitious communications plan.

We face an uphill battle. It will be difficult enough just to get the full ARC. But we can't afford to settle for less.

I am here today to ask the board to reconsider your policy regarding engaging with the legislature on a funding solution. KERS faces an existential threat of insolvency. Your active advocacy might mean the difference between success and failure.

I urge you to join with us in seeking a funding solution that will save KERS from the threat of fiscal disaster. Thank you.

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Mr. Elliott introduced the agenda item *Human Resources Committee Report*. Mr. Fulkerson provided an overview of the Committee meeting to the Trustees. After discussion, Ms. Peter moved and was seconded by Mr. Summers to approve the proposed amendments to the KRS Personnel Policies with the deletion of the firearm provision. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Audit Committee Report*. Ms. Davis reviewed the actions from the November 19, 2015 Audit Committee meeting. Mr. Overhultz reviewed the Audited Financial Statements for year ending June 30, 2015; Mr. Lang moved and was seconded by Mr. Rich to accept the report. The motion passed unanimously. Mr. Rich moved and was seconded by Ms. Peter to approve the actions of the Audit Committee. The motion passed unanimously. *Ms. Garrison, Ms. Lovell, and Ms. Whaley entered the meeting during this report.*

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Mr. Elliott introduced the agenda item *Retiree Health Insurance Drug Formulary Report*. Ms. Garrison and Ms. Lovell discussed and reviewed the changes in the Humana Drug Formulary. The report was provided for informational purposes only.

*Mr. Overhultz, Ms. Lovell, Ms. Garrison, and Ms. Whaley exited the meeting following this report.*

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Mr. Elliott introduced the agenda item *Quarterly Financial Statements as of September 30, 2015*. Ms. Roggenkamp highlighted the report for the Trustees; the report was provided for informational purposes only.

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Mr. Elliott introduced the agenda item *Comprehensive Annual Financial Report as of June 30, 2015*. Mr. Thielen and Ms. Roggenkamp provided a summary of the CAFR. Mr. Lang moved and was seconded by Mr. Davis to approve the 2015 CAFR with the addition of any stylistic, grammatical, or other minor changes that may need to be made. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Investment Committee and Investment Portfolio Report*. Mr. Peden recapped the November 4, 2015 Committee meeting. Mr. Stevens moved and was seconded by Mr. Summers to ratify the actions of the Committee. The motion passed unanimously.

*Ms. Robinson exited the meeting; Dr. Bauer entered the meeting.*

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Mr. Elliott called for a short break and the meeting was suspended. *Mr. Green and Ms. Bennett entered the meeting during the break.*

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Following the break, Mr. Elliott reconvened the meeting and introduced the agenda items *KERS Nonhazardous and SPRS Actuarial Rate of Return Assumption and Actuarial Valuation for the Year Ended June 30, 2015*. Mr. Green and Ms. Bennett of Cavanaugh Macdonald presented the reports. Mr. Peercy moved and was seconded by Mr. Lang to accept the actuarial recommended rate of return assumption as 6.75% for KERS nonhazardous pension plan and 6.75% for SPRS pension plan as of July 1, 2015. The motion passed unanimously. Mr. Lang moved and was seconded by Mr. Fulkerson to accept the calculation rate of 7.5% for retirements and service purchases until July 1, 2017. The motion passed unanimously. Mr. Hardesty moved and was seconded by Mr. Fulkerson to accept the valuation as presented and the following employer



contribution rates, including the 10 year phase-in for the health insurance portion of CERS, as of July 1, 2016:

KERS, nonhazardous	47.28%
KERS, hazardous	23.82%
SPRS	85.34%
CERS, nonhazardous	18.68%
CERS, hazardous	31.06%

The motion passed unanimously.

*Mr. Green and Ms. Bennett exited the meeting following the presentations.*

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Mr. Elliott introduced the agenda item *Legislative Update*. Mr. Thielen provided an update on recent legislative activity impacting KRS; the report was provided for informational purposes only.

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Mr. Elliott introduced the agenda item *Quarterly Budget Update*. Ms. Roggenkamp highlighted the report for the Trustees; the report was provided for informational purposes only.

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Mr. Elliott introduced the agenda item *Informational Reports*, which were presented for informational purposes only.

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Mr. Elliott introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Mr. Davis moved and was seconded by Mr. Summers to accept the report. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *IRS Cycle E Determination Letter Application*. Mr. Thomas explained the process to obtain the letter from the IRS. Mr. Summers moved and was seconded by Ms. Peter to authorize completion of the applications and amendments, file the determination letter applications for KERS, CERS, SPRS, and the Insurance fund, and to authorize the Executive Director or designee to execute all necessary documentation. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Other Business*. Mr. Thomas noted Katherine Rupinen has been awarded the Outstanding Ethics Office Award for 2015. Mr. Thielen noted the 2016 Board and Committee dates had been provided for informational purposes only. Mr. Thielen presented Resolution 2-2015. Mr. Lang moved and was seconded by Ms. Peter to approve the resolution. The motion passed unanimously. Mr. Thielen presented Resolution 3-2015. Mr. Stevens moved and was seconded by Mr. Summers to approve the resolution. The motion passed unanimously. Mr. Thielen presented Resolution 4-2015. Ms. Peter moved and was seconded by Mr. Summers to approve the resolution. The motion passed unanimously.

*Katherine Rupinen and Bob Kellerman entered the meeting.*

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Mr. Elliott introduced the agenda item *Pending Litigation*. Mr. Davis moved and was seconded by Ms. Peter to enter closed session. Mr. Elliott read the following statement: A motion having been made in open session to move into closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the System's litigation strategy and preserving any available attorney-client privilege. The meeting moved into closed session.

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*All attendees excepting KRS Trustees, Executive Staff, and General Counsel exited the meeting.*

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Mr. Elliott called the meeting back into open session with no action having been taken in closed session. There being no further business, the meeting adjourned at 2:27 p.m. to meet on February 18, 2016 or upon the call of the Executive Director or the Chair of the Board of Trustees.

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Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of December 3, 2015.

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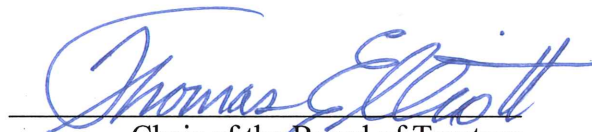
## CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.



Recording Secretary

We, the Chair of the Board of Trustees of the Kentucky Retirement Systems and Executive Director of the Kentucky Retirement Systems, do certify that the Minutes of Meeting Number 401, held on December 3, 2015, were approved on February 18, 2016.

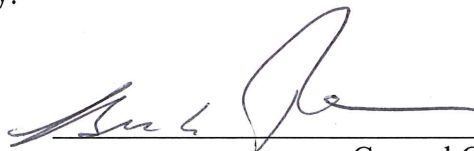


Chair of the Board of Trustees



Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the December 3, 2015, Board of Trustees Special Called Meeting for content, form, and legality.



General Counsel